

# Mortgage Brokerage Commission Meeting

Wednesday, May 9, 2007

9:00 to 11:00 am

Renton City Hall

7<sup>th</sup> Floor, Council Chambers

1055 S. Grady Way, Renton, WA 98055

Minutes

## Continuing Education

Attendance may be applied towards continuing education requirement: please use DFI sign-up sheet for proper record keeping. PLEASE PRINT CLEARLY!

## Next Meeting:

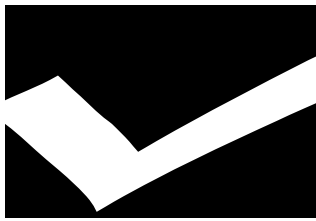
August 8, 2007, 9-11 a.m.  
Spokane Community College

## For Additional Information Contact:

Dept. of Financial Institutions, Division of Consumer Services  
150 Israel Road SW, Tumwater, WA 98501  
PO Box 41200, Olympia, WA 98504-1200  
phone: 360/902-8822, fax: 360/664-2258, TDD: 360/664-8126  
website: <http://www.dfi.wa.gov/cs>, e-mail: [acampbell@dfi.wa.gov](mailto:acampbell@dfi.wa.gov)

## ----- Agenda Topics -----

1. Approve Minutes from February 14 <sup>th</sup> Meeting	Adam Stein	
2. Loan Originator Update	Levi Clemmens	
3. Other Licensing Issues	Levi Clemmens	
4. Test Update	Whittier Johnson	
5. Mortgage Broker/Loan Originator Listserve	Levi Clemmens	
6. Mortgage Broker Examination Findings (New)	Kwadwo Boateng	
7. Referrals to Enforcement and Statistics	Kwadwo Boateng	
8. Enforcement Update	Deb Bortner	
9. Other Business	Deb Bortner	



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## Minutes

<b>Attendees:</b>	Deb Bortner, DFI Adam Stein, Commission Chair Jeff Berglund, Commissioner Laura Kiel, Commissioner Jeffrey Lorsch, Commissioner Stephen Bozick, Commissioner Guests: 97
<b>Note taker:</b>	Jeannette Terry, Administrative Assistant 5 Beth Craig, Administrative Assistant 5
<b>Resource persons:</b>	Deb Bortner, DFI, Division Director Whittier Johnson, DFI, Program Manager Kwadwo Boateng, DFI, Program Manager Cindy Fazio, DFI, Financial Legal Examiner
<b>Abbreviations:</b>	<p><b>DFI</b> = Department of Financial Institutions and/or Division of Consumer Services</p> <p><b>MB</b> = Mortgage Broker (subject to DFI’s authority under the MBPA)</p> <p><b>DB</b> = Designated Broker at the licensed Mortgage Broker</p> <p><b>WAMB</b> = Washington Association of Mortgage Brokers</p> <p><b>RCW</b> = Revised Code of Washington (here, specifically chapter 19.146 known as “The Mortgage Broker Practices Act”) <i>also referred to as “the Act” or “MBPA”</i></p> <p><b>WAC</b> = Washington Administrative Code (here, specifically chapter 208-660, promulgated under “The Mortgage Broker Practices Act”) <i>also referred to as “the rules”</i></p> <p><b>AARMR</b> = American Association of Residential Mortgage Regulators</p> <p><b>HUD</b> = the Office of Housing and Urban Development (a federal agency)</p> <p><b>CRO</b> = Code Reviser’s Office</p> <p><b>CE</b> = Continuing Education (for Designated Brokers and Loan Originators)</p>
<b>Future Agenda Topics:</b>	

## ----- Agenda Topics -----

<b>1. Approval of Minutes from February 14<sup>th</sup> Meeting</b>		<b>Adam Stein</b>	
<b>Discussion:</b>			
Jeffrey Lorsch approved the minutes as submitted. Laura Kiel seconded the approval of the minutes. Minutes approved as written.			
<b>Conclusions:</b>			
<b>Action items:</b>		<b>Person responsible:</b>	<b>Deadline:</b>
Copies of the minutes will be available upon request from DFI. You are able to listen to this pod cast (recording) from the following address on DFI's website: <a href="http://dfi.wa.gov/cs/mortgage.htm">http://dfi.wa.gov/cs/mortgage.htm</a>		Beth Craig	Now

<b>2. Loan Originator Update</b>		<b>Deb Bortner</b>	
<b>Discussion:</b>			
<p>DFI originally thought they would receive roughly 8,000 loan originator applications. As of May 7th DFI has had over 13,010 applications. Six people have been processing the loan originator applications, along with all other applications; currently most loan originators have not received their license. Roughly 5,595 have been licensed so far. Even in April, DFI received 611 applications and over a 1,000 licenses were issued.</p> <p>During the time when the loan originators were the main focus of the licensing staff, the other license applications were not focused on. Branch office license applications were not processed as quickly as normal. During the beginning of April, DFI decided to let the industry know that if they had all four pieces of the loan originator application submitted to DFI, they could continue to do business. DFI then focused for two weeks on the other license applications waiting to be processed. Deb consulted with the Mortgage Broker Commission before focusing on other applications for the two week period. The Commission agreed with Deb's decision. All other license applications are down to a two week turn around and the licensing staff is maintaining that two week timeframe. The licensing staff is now back to focusing on loan originator licenses. Additional temporary staff has been hired to assist the licensing staff. The current goal is to be done licensing Loan Originators by August 15<sup>th</sup>.</p> <p>There currently is no violation if you do not have a Loan Originator license number since DFI is still working to get all Loan Originators licensed.</p> <p>Jeffrey Lorsch—Has there been a cut off date established that says if loan originators do not have all their paperwork in, they can no longer operate? As if the Act was in force all along?</p> <p>Deb—If they do not have all their application pieces in, which includes the MU4, finger print cards, online application and the application fee, then the loan originator is not supposed to be doing business. Because it is a problem that DFI is up against—licensing backlog—it has been decided, during the first round of licensing which is due to be finished by August 15<sup>th</sup>, that we will allow people to do business until DFI tells them they can't. Something would prevent someone from doing business right now is a criminal record.</p> <p>Jeffrey Lorsch—So DFI is allowing people to do business even if they do not have those items in?</p> <p>Deb—DFI is not allowing potential loan originators who do not have all four parts of their loan originator application in to do business. It is the responsibility of the mortgage broker to ensure that the loan originator who will be working for them has all the necessary information in to DFI. You can go online to our licensing page to see if loan originators have been licensed or applied online.</p> <p>Jeffrey Lorsch—So the delinquent mortgage broker and loan originator are in violation if they do not have those four items in?</p> <p>Deb—Yes.</p>			
<b>Conclusions:</b>			
<b>Action items:</b>		<b>Person responsible:</b>	<b>Deadline:</b>
<b>3. Other Licensing Issues</b>		<b>Deb Bortner</b>	
<b>Discussion:</b>			
<b>Conclusions:</b>			
<b>Action items:</b>		<b>Person responsible:</b>	<b>Deadline:</b>

4. Test Update	Whittier Johnson	Handout
<b>Discussion:</b>		
<p>Whittier Johnson—Effective June 5<sup>th</sup>, all Loan Originators and Designated Brokers will be able to take a test through Promissor. Promissor does mortgage type testing throughout the country and within the state in Tukwila, Lacey, Everett, Vancouver, and Portland. All loan originators and designated brokers will have to register to take the test. You can go online to <a href="http://www.promissor.com">www.promissor.com</a> and register to take the mortgage broker and loan originator test. A link to Promissor is also on DFI’s website, but you cannot register to take the test through DFI. The fee to take the test is \$52.00 and you register and pay for the test online through Promissor not through DFI. If you fail three consecutive times, you have to wait two weeks until you can take the test again. Whittier encourages people to register now.</p> <p>Remember that taking and passing the test is a requirement by the end of 2007. There are only a limited number of seats at testing centers around the state so register to take the test soon.</p> <p>DFI, with the help of the Commissioners, has been in the process of developing questions. There are two distinct tests, one for loan originators and one for designated brokers. The loan originator test is roughly 100 questions covering things that are outlined at the Promissor website and at the DFI webpage. As a study guide there are 600 questions and answers at the DFI site and Promissor’s site. You may review questions and answers as many times as you want with the study guide. Promissor would like to hold several industry meetings at the end of May. Whittier has encouraged Promissor to contact the Mortgage Broker Commission to organize those meetings.</p> <p>Deb wanted to remind people not to forget their calculator. There will be some APR calculations.</p> <p>Whittier also mentioned that the calculator must be strictly a calculator not a cell phone, blackberry or any sort of PDA that allows you to write down a question or take photographs of the test.</p> <p>A question from the audience—Is there a provision for an associate broker in the same office, similar to a real estate broker? When will you have that ready?</p> <p>Adam Stein—There isn’t really a provision; each licensee has a single designated broker. You can have someone else who is qualified to be a designated broker but there is no separate associate broker, as in real estate, in the Act.</p> <p>Audience member—If two designated brokers wanted to work from the same location, is there any provision for that?</p> <p>Adam Stein—If you are going to have a single license name, then there is a single designated broker. If you are going to share an office space and keep individual licenses and be your own designated broker, then you would each have your own mortgage broker license.</p> <p>Audience member—If they were going to share a location and one name, then would he have to give up his license as a designated broker and go take the loan originator test?</p> <p>Deb—If you are a designated broker, then you are a loan originator. You automatically got your loan originator license as part of this process.</p> <p>Adam Stein—You have to have acted as a designated broker in the past year. There could have been people out there who were trying to take the designated broker test so they could avoid the loan originator licensing provision. That was not the intention, you had to be an active designated broker, and then you would have the “exemption.”</p> <p>Whittier Johnson—Some people choose to maintain a person who is the main designated broker but also have another person in the office that has taken and passed the test. Those two people then switch every few years.</p> <p>Deb Bortner—People who rushed to take the designated brokers test, but were not an active designated broker for a year, have to take the designated broker or loan originator test.</p> <p>Adam asked Whittier about Promissor’s volume capacity. There are over 12,000 people who need to pass the test in six months; can they get 2,000 people to take the test every month?</p> <p>Whittier believes they will be able to accomplish this. They will keep their offices open with the volume of demand during regular business hours and extend hours on the weekend. People can also take the test out of state.</p> <p>Jeffrey Lorsch—What about the meetings with Promissor, the DFI staff, and the Commissioners. There was a task to create 1,000 questions and 698 have been created, what about the rest of the questions? There is an outline of what is covered in the exam. Has anyone gone back to certain parts of the Act to see if items people are out of compliance with are covered in the exam?</p>		



6. Mortgage Broker Examination Findings (New)	Kwadwo Boateng	Handout
<b>Discussion:</b>		
<p>Kwadwo Boateng—DFI started their examination of Mortgage Brokers in October of 2006. DFI had volunteers from the Commission and the industry that opted to be examined by DFI. The official start date of the examinations process was January 2007. So far, there have been 17 mortgage brokers examined, and Kwadwo collected some statistics to share at the Commission meeting.</p> <p>Kwadwo wanted to share how we rate an examination. DFI rates them on a scale of 1 to 5. One being a very strong company with strong compliance programs, which are verified or audited by other third parties. A five rating would be a poorly controlled company with serious violations affecting consumers that required numerous refunds.</p> <p>Of the 17 mortgage brokers that have been examined, five of them were rated a 2. A rating of 2 being on the positive end of the scale. See handout for explanation of a 2 rated company.</p> <p>Six of the companies were rated a 3. This means a company is less than satisfactory; they are on the tip of the downward side of the scale. Companies in this category are cause of concern for DFI. See handout for explanation for a 3 rated company.</p> <p>Six of the companies are rated a 4. They will require close supervisory attention. See the handout for full explanation of a 4 rated company.</p> <p>An area of concern for DFI is the Lock in Agreements. If you are going to lock, please provide disclosures. If there is not going to be a lock, please disclose that too.</p>		
<p>Jeffrey Lorsh—He encouraged Kwadwo to continue to present this type of information at future Commission Meetings. How can one change the fees by doing re-disclosure and what is required for that?</p> <p>Kwadwo Boateng—These types of transactions change and DFI understands that. With any changes, as long as you disclose within three days, prior to the closing statement, this will not be a violation. Also if the disclosure is based on a percentage of the loan amount and the loan amount goes up, you will not be in violation if the fee also goes up.</p> <p>Jeff Berglund—His company was one of the volunteer companies to go through the examination process. There are several computer programs that, during a simultaneous second there are check boxes in the Truth in Lending that do not copy over. Jeff Berglund says he discloses electronically frequently. He was assuming the check boxes were transferring but they did not, so you will have to manually make sure the check boxes get marked. On ARM disclosures some of the application needs to be enhanced and you may need to create it on your own. Jeff asked if DFI could post something on the website so the other brokers could learn from them before getting negative marks on their examination. Don't fear the examination process, he actually enjoyed it. It was like having a paid consultant come to your office to help you. The people from DFI were gracious, helpful, and very constructive.</p> <p>Kwadwo Boateng—The Commissioners who participated had two of the highest ratings of the 17 exams.</p>		

<b>Conclusions:</b>			
<b>Action items:</b>		<b>Person responsible:</b>	<b>Deadline:</b>
Look into posting common findings in Mortgage Broker exams		Kwadwo	
<b>7. Referrals to Enforcement and Statistics</b>		<b>Kwadwo</b>	
<b>Discussion:</b>			
<p>Kwadwo Boateng—Three of the companies rated a 4 have been referred to DFI’s enforcement section for further review of three major violations.</p> <ul style="list-style-type: none"> <li>• Bait and switch (offering the consumer something at the beginning of the transaction, and then they get something else at the end of the transaction).</li> <li>• The second violation sent to the enforcement section was for trust account violations. Third party fees that were either paid directly by the consumer or paid on behalf of the consumer. There have been instances where no violations were cited because the mortgage broker had made an effort by stating on the Demand Statement to pay the appraiser or the credit reporting agency. In that circumstance we don’t hold the mortgage broker responsible.</li> <li>• The third reason for referral was failure to re-disclose increases in fees prior to closing.</li> </ul>			
<b>Conclusions:</b>			
<b>Action items:</b>		<b>Person responsible:</b>	<b>Deadline:</b>

**Discussion:**

Cindy had a packet for the Commissioners outlining Cindy's first draft of the amended Rules.

Cindy Fazio—Page 1 is regarding WAC 208-660-400, specifically the date for the Mortgage Broker annual report. The new law that went into effect January 1, 2007, has a provision requiring mortgage brokers to provide DFI with an annual report. During the initial rulemaking process, the panel made its best determination regarding the due date for the annual report based on the national database system. Now, the national database will have a section that will allow for the filing of the annual report.

The date will be amended from May 1<sup>st</sup> every year to March 31<sup>st</sup> of each year. Originally when the Rules were written DFI asked that a 2007 annual report be submitted. The Commission asked that no annual report be submitted in 2007 since the Rules just went into effect. An annual report won't be due until March 31, 2008.

Page 2 makes a change to 208-660-008 covering exemptions. When looking at the consumer loan licensee we neglected to clarify that the independent contractors of the consumer loan licensees were not exempt from the licensing provisions.

Page 3 and 4 are "technical fixes" 208-660-430 and 208-660-530. There are inconsistent uses in the Rules with the word "refund" and "restitution" throughout the Act. Cindy went through the language and made it consistent.

Page 5 is 208-660-250, the qualification information for designated brokers. When reviewing the Rules, it was apparent that people who had Sole Proprietorships may not be able to come up with the necessary background information to qualify as the designated broker as it was written in the Rules. We added in some new language, which is old language from the original Statute, which allows someone to provide a letter from a lender indicating that they had met the work experience requirements as a designated broker.

Page 6 is 208-660-260, there are some clarifying changes needed. In setting up the requirements for the designated broker, we created an inconsistency that the licensing staff found. This section talks to people who already are a designated broker and under what circumstances would they have to take the designated broker test again. Cindy tried to clarify that language in that section.

Page 7 is 208-660-006, under the definitions section. We added a reference to a federal law that was not included. The specific law that was included was the Homeowners Protection Act "HPA." It was important that this law was included because it includes information about disclosures and PMI.

Page 8 is 280-660-350 is in reference to the Brief Adjudicative Proceedings language.

The CR-102 has not been filed yet. It opens up the public comment period. It will follow a similar Rulemaking hearings and process as DFI has done before. Rules could possibly be written and adopted later this year but would not be implemented until next year.

Adam Stein—In 208-660-250(d), letter from a lender. What do people do who do not have a W-2 or 1099 to justify their work experience? How many loan originators are out there working for a two year period, earning income would not get a W-2 or 1099? Adam doesn't feel too comfortable with that idea.

Jeffrey Lorsch—It's an exemption to the history of the brokerage industry, but they would still have an income on a 1099 or W-2.

Cindy Fazio—This is for the individual who, for instance, is a sole proprietorship and not paying themselves, and taking draws. There may be some other sort of issue going on based on the form of their corporate structure.

Laura Kiel—Wouldn't they would have tax returns showing a loss.

Deb Bortner—She also has some other Rules that she is considering. DFI will be constantly drafting Rules to change these Rules. She would like to address issues in the Exemption section of FNMA or Freddie Mac letters of exemption. She believes there are mortgage brokers who have the letters from FNMA or Freddie Mac who don't do get audited by them. They still need to be audited before that exemption is acceptable. She believes there should be some sort of percentage of loans made that are FNMA or Freddie Mac.

Jeffrey Lorsh—He feels there should not be a percentage of loans done under FNMA or Freddie Mac, it should just be regulated by which activity the loan falls under.

Laura Kiel—Even if they do one loan outside of FNMA or Freddie Mac, they should have to maintain a mortgage broker

<p>license.</p> <p>Deb Bortner—I'm open to this discussion especially when we start drafting the Rules. Another exemption that will be looked into is the Consumer Loan Act exemption stating what percentage of their business should qualify them for the exemption. If they only lend as 1percent of the business, should they have a consumer loan license or a mortgage broker license?</p> <p>Adam Stein—He asked Cindy if she could talk more on 208-660-350, criminal activity that was unintended. Could we loosen up that portion? No felonies are accepted, but what about a DUI? Could there be more specific parameters around this section? Could we also tighten so there is no grandfathering in of people with certain other crimes? Should convicted sex offenders be able to obtain a license at their home address?</p> <p>Deb Bortner—She feels that we may be able to address the DUI problem in Oregon by stating that a felony conviction for DUI in Washington State will count. We'll have to look at that and determine if it's a legal question that needs to be addressed and if we have legal authority to enforce it.</p> <p>Steven Bozick—He thought there was additional language on 208-660-350 regarding Brief Adjudicative proceedings, and it does not appear to be in the handout.</p> <p>Cindy Fazio—She clarified that this was addressed in a different Rules Proceeding that was the language we took from the Statute and put it in the Rules. This was a shortened Rules Hearing process that this language was submitted through.</p> <p>Deb Bortner—Clarified what a Brief Adjudicative Hearing is. It is held within DFI, but not heard in front of someone from the Consumer Services Division, and a decision is made right there. It actually gives more rights and a quicker hearing to the defendant than if it were to go through a formal hearing process.</p>		
<b>Conclusions:</b>		
<b>Action items:</b>	<b>Person responsible:</b>	<b>Deadline:</b>

<b>8. b Enforcement Update</b>		<b>Deb Bortner</b>	
<b>Discussion:</b>			
<p>Deb Bortner—She would like to report on the complaints we receive each quarter but she does not have that information with her.</p> <p>The number of loan originators with felonies or misdemeanors has stayed steady during our review process. About 10% of the applicants have a felony or misdemeanor on their record. Of that 10 percent, 73 of them will be referred to our enforcement unit for further processing or possible denial of a license.</p> <p>Deb stated that there has been 3 forgeries, 2 bad checks, 13 theft cases, \$100,000 in tax liens (not a crime but DFI looks into it), 7 possession of stolen property, 15 drug crimes, one sexual assault, 2 rapes, possession of child pornography, eluding a police officer, and fraud.</p> <p>There have been two Orders issued based upon fraud reasons in the Securities Division. There have been 20 total denials. When there is a referral, DFI has to ask the county to provide DFI with the records, so if the case does go to hearing they will have the official record with them. Four people have been turned down due to not enough sufficient evidence to deny the license.</p>			
<b>Conclusions:</b>			
<b>Action items:</b>		<b>Person responsible:</b>	<b>Deadline:</b>
Beth will remind Deb to obtain complaint information prior to meeting		Beth Craig/Deb Bortner	8-8-07

<b>9. Other Business</b>			
<b>Discussion:</b>			
<p>Deb Bortner—Because of the current trends in the sub-prime market, DFI is considering a change in the way they regulate non depository lenders in the state. Congress is looking to regulate lenders at the federal level. DFI is drafting a proposal to send to the legislature of the Residential Mortgage Lending Act. Therefore, all lenders will be regulated under that Act opposed to lenders who make loans over 12 percent. It will cause some changes in the MBPA. She believes they will leave table funding in the MBPA but all other kinds of lending will be under the new Act. This is not official but it is something that DFI is considering. There will be brokers and there will be lenders.</p>			
<p>Laura Kiel—Is it legal for a loan originator to be working from a home location? Where that location is not licensed?</p> <p>Deb Bortner—No. If the loan originator does not meet clients, doesn't have that address on their business cards, doesn't put that location on a website, and they only do some of their paperwork there; it may not be considered a branch office.</p> <p>Laura Kiel—She asked about net branches. If a broker has a branch, then has loan originators that are independent contractors, those agents are responsible to the main office and not the branch office.</p> <p>Deb Bortner—The mortgage broker is ultimately responsible for all flow through of all employees (including independent contractors) all the way down the line.</p> <p>Laura Keil—But that branch is not allowed to have independent contractor processors? Everything has to be paid for by the main office?</p> <p>Cindy Fazio—It's not so much that they are paid for, but they are licensed at the branch, then the main office cuts a check to cover all employees and 1099's salaries, sends it to the branch, then the branch disperses it. Everyone licensed at that location is under the umbrella of the main mortgage broker.</p> <p>Laura Keil—If each individual loan originator is licensed at their own branch office. Does that mean that the main licensed location is responsible for each individual branch?</p> <p>Deb Bortner—Yes they are responsible for each branch office.</p> <p>Adam Stein—Employment Security Department is auditing mortgage brokers and checking their independent contractors for compliance.</p> <p>Deb Bortner—DFI is not involved with Employment Securities' increased auditing of mortgage brokers and their independent contractors. There will be a letter in the DFI newsletter to mortgage brokers from the Department of Revenue regarding their stance on independent contractors.</p>			
<b>Conclusions:</b>			
<b>Action items:</b>		<b>Person responsible:</b>	<b>Deadline:</b>

## 9. Public Comment

### Discussion:

Ray Durazo—Can a branch office hire an independent contractor under the branch office license?

Adam Stein—No, it's an issue on bonding. The bond from the main office has to cover all its employees working for the company. It does not extend to other hired employees of a branch office.

John Wilde—He went online to make sure all the loan originators in his office had applied for a license. He discovered there was an employee that no longer worked for him. John said he sent a letter to DFI asking them to terminate the relationship with that loan originator and his company. John called DFI and asked why the loan originator was still able to appear on the website and use his company name to represent him as a loan originator.

Whittier Johnson—The MU4 form establishes or terminates relationships and he will need to submit that form to officially terminate the relationship with that loan originator.

Pat Naslow—Asked Kwadwo that during the examination of mortgage brokers has DFI found that loans started off as fixed rates then ended up different, and Kwadwo interprets that to be bait and switch. Many times borrowers will start off at a fixed rate then change their mind. What type of documentation, outside of a revised Good Faith Estimate, do you want in the file to show that it is not a bait and switch loan but the customer's choice?

Kwadwo Boateng—He would want documentation showing that something happened before closing. A revised Good Faith Estimate, ARM Disclosures and all other required documents should be given to the consumer showing that they are in a new program. Kwadwo also stated that if it's an isolated incident, then they will not be a problem, but if it's nineteen out of twenty loans then, there will be a violation.

Jeff Wakefield—He has a comment for Adam Stein on the issue that Employment Security is bringing up regarding independent contractors. He was told by Employment Security that because independent contractors depend on the mortgage brokers license, that makes them an employee.

Adam Stein--This issue is not up for debate and he will address his questions after the meeting.

Jeff Wakefield—Wants clarification on the Good Faith Estimate and the Yield Spread Disclosure. Is it okay to be a percentage or just dollars? Where does it go on the Good Faith Estimate?

Adam Stein—It is addressed in the RESPA language and asks that the Yield Spread be expressed as a dollar figure or range. It should go on line 808-811 on the Settlement Statement.

Chris Updike—What if the Yield Spread increases and the borrower instructs him to lock in the rate. What happens if the borrower on the Lock In Agreement elects to float and three days goes by, and he benefits from this, is he okay with taking the benefit since the borrower elected to float?

Adam Stein—He feels you should re-disclose.

Jeff Berglund—He thought from his examination by DFI that it was not acceptable. You cannot increase your profit margin.

Kwadwo Boateng—If the borrower instructed you to lock and you have a range, it has to be reasonable. The range is allowed under RESPA. You can earn your YSP. If it's a pattern of your business, then DFI would look into it, but if it's an isolated incident then it's not much concern.

Scott Fletcher.—What if as a designated broker you identify the loan originator had violated this issue and the intent of the violation is for borrower's best interest and benefit. Is it up to the designated broker to give the money back to the borrower relieving the designated broker of the liability?

Kwadwo Boateng—Documenting the situation and giving money back to the borrower is sufficient. The goal of the exam is not to send the company to enforcement.

Suzy Yielding—Could you please address an occasion in which a loan may not be locked until the morning of the day escrow is made and signed? How do we address the three day period?

Adam Stein—If you are earning more than you originally disclosed, then you either postpone closing for three days or give the borrower the same deal that was quoted and reduce their rate and you earn what was anticipated on the Good Faith Estimate.

Ricardo McGlaughlin—Is there a minimum loan amount you can advertise for as a no cost loan? No closing costs.

Deb Bortner—DFI is in the process of developing enforcement cases against people who are advertising for no cost loans.

Kwadwo Boateng—If you want to advertise this type of product, make sure to give an example in the advertising.

	<b>Conclusions:</b>		
	<b>Action items:</b>	<b>Person responsible:</b>	<b>Deadline:</b>

**Called to Order:** 9:02 a.m.

**Adjourned:** 11:05 a.m.